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The Paul Newman of Punk Rock

After Hopeless Records started bringing in cash, founder Louis Posen began spinning profits into charity and joined a new trend in "social entrepreneurship"

by [Christopher Palmeri](#)

Louis Posen's dream of becoming a movie director was coming to an end. The 19-year-old was studying film at California State University at Northridge in 1991 when he was diagnosed with retinitis pigmentosa, a degenerative eye disease that leads to blindness. Looking for another creative endeavor, he bought a book called *How to Run an Independent Record Label* and launched Hopeless Records from his garage.

Today, Hopeless is profitable, employs nine people, and will gross \$5 million this year. Boosting revenues and earnings every year in an industry barraged by digital piracy and slumping sales is an accomplishment. But Posen has another hit on his hands: He figured out a way to spin a sizable chunk of the money his company generates into philanthropy. "Although we didn't really plan it," Posen says. "we're part of this whole movement of social entrepreneurship."

The notes of inspiration came seven years ago, after a compilation of the label's artists called *Hopelessly Devoted to You Too* sold more than 100,000 copies. Posen realized there was strength in numbers. He created another label called Sub City, a play on the word subsidy and on the punk rock subculture in which the company specializes. Then he offered his artists the option of releasing their records on Hopeless or Sub City.

If they choose Sub City, 5% of the gross goes to [charity](#) (BusinessWeek, 5/24/07). On a \$14 compact disk that's about 70 cents, but those dimes add up. Posen recently celebrated what he calls a "million-dollar milestone," having given more than \$1 million to charity. Half of the money comes from the artists' royalties, the other from Posen's profits.

CREATIVE PHILANTHROPY

Sub City also sponsors tours from which 10% of ticket sales go to various causes. The label works with more than 50 charities, including causes such as fighting blindness and music education in schools. Not every band chooses to participate. Posen figures about 3 of the 10 releases his company puts out each year are on the Sub City label. "Some artists prefer to give on their own," he says. "Some can't afford it."

Posen learned to be creative from a business standpoint early on. Punk rock isn't a huge market. His top selling album—from a band called Avenged Sevenfold—has sold 400,000 copies in the U.S. That's 100,000 shy of what's needed to qualify as a gold record. Posen generates extra revenue for his company by keeping the rights to sell a couple of merchandise designs from each of his bands, such as a T-shirt or a poster. He also takes a fee for licensing their music to television shows and movies. It's a business model many [major labels](#) (BusinessWeek, 6/28/06) are now pursuing. "Louis has the spirit of an entrepreneur and a heart of gold," says Mitchell Wolk, an executive at Warner Music Group ([WMG](#)), which helps distribute Posen's albums. "He is truly an inspiration to us all."

[Marketing punk rock](#) (BusinessWeek, 8/8/07) is difficult. The segment isn't driven by hit singles or radio airplay like most of the music business. Instead, Posen and his team must build awareness for their artists through appearances in record stores, on social networking sites such as MySpace ([NWS](#)) and PureVolume, and through relationships with other companies looking to stay in tune with youth culture such as the Hot Topic ([HOTT](#)) retail chain.

HOPELESS LIFESTYLE

On Sept. 25, for example, Hopeless is releasing the new album from All Time Low, a pop-punk quartet from suburban Baltimore. The company has a marketing alliance with Hollister, an Abercrombie & Fitch ([ANF](#)) spin-off that will sell the CD in its stores and stream All Time Low's music on its Web site. "We call ourselves a record label but we've never looked at ourselves as being in the record business," says Posen, dressed casually in jeans and Vans sneakers. "It's a lifestyle."

Left with only the ability to see light and dark in one eye, Posen takes a cab to work most mornings. His wife picks him up at the end of the day. At the office, he uses a software program called Jaws that reads his e-mails and Excel spreadsheets aloud. With profits from the business, Posen recently bought a 5,500-square-foot warehouse in the Los Angeles suburb of Van Nuys. On a recent September morning, he was bumping into walls and furniture. "We moved in two weeks ago, and I'm still getting used to the place," he says.

Scientific studies have shown that the blind can become suburb musicians, their ears compensating for the loss of sight, à la Stevie Wonder and Ray Charles. "Not me," Posen says. "I've tried to play guitar, drums, everything." Posen has more than made up for his lack of musical ability, finding other ways to make music and give back to others at the same time. "Losing your sight is not something anyone would choose," he says. "But there are worse things that can happen to you."

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